

SESSION OF 2008

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2938

As Amended by House Committee of the Whole

Brief*

HB 2938, as amended, would provide new sales tax exemptions, effective January 1, 2009, for a number of not-for-profit groups, organizations and entities exempt from income taxation pursuant to section 501(c)(3) of the federal Internal Revenue Code (as well as certain groups which would be exempt from income taxation but may not be required to have a not-for-profit determination letter from the Internal Revenue Service or may not yet be in possession of one for other reasons).

The bill also would provide a sales tax exemption relative to certain business-related purchases incurred in counties deemed to be part of a specific disaster declaration.

Not-for-Profit Provisions

Certain groups would have their direct purchases of tangible personal property and services exempt from sales taxation, provided the property and services are used to provide adoption and foster care services; aging services; child and family disability and welfare services; domestic violence services; drug abuse and alcohol addiction counseling services; food bank services for low-income persons; health care research and services; certain homeless and housing assistance programs; certain programs designed to aid low-income individuals or communities; or services for individuals who are legally deaf or blind. An additional exemption would be provided for certain purchases of not-for-profit groups to preserve, renovate, and beautify state property.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The sale of admissions or tickets by such qualifying groups for fund-raising activities or events of one day or less occurring not more than twice per year also would be exempt from the sales tax, as would all sales of donated property and services for fund-raising purposes; and all sales of publications for fund-raising purposes.

The Secretary of Revenue would be required to issue “exempt organization identification numbers” to those groups qualifying for the new exemptions. The Secretary further would be required to adopt rules and regulations to carry out the new exemption provisions. Any group denied an exemption could request an informal conference with the Secretary within 60 days.

Grandfather-clause language would clarify that nothing in the bill would affect the status of any group with an exemption enacted prior to January 1, 2008.

Disaster Provisions

The bill also would provide a sales tax exemption relative to certain purchases incurred in the construction, reconstruction, enlarging, or remodeling of business facilities located in counties declared to be disaster areas pursuant to Presidential Disaster Declaration DR 1711, provided such facilities were damaged or destroyed by flooding or other severe weather. Project exemption certificates would need to be obtained within 60 days of the effective date of the legislation (publication in the *Kansas Register*).

Background

Proponents for the legislation included Representative Jeff Whitham.

The House Taxation Committee amendments are primarily technical in nature.

The House Committee of the Whole amended the bill to include the disaster provisions from Sub. for HB 2336; to add exemptions for certain low-income, homeless, and housing assistance programs; to add the exemption for groups associated with the preservation, renovation, and beautification of state property; and to change the effective date of the grandfather clause from January 1, 2009 to January 1, 2008.

The Department of Revenue indicated that the fiscal impact of House floor amendments relative to homeless and low-income programs and certain state beautification purchases is unknown at this time.

The following table disaggregates the fiscal note relative to the other provisions of the bill for the State General Fund (SGF) and State Highway Fund (SHF).

(\$ in millions)

	<u>Total</u>	<u>SGF</u>	<u>SHF</u>
FY 2009	(\$11.100)	(\$9.739)	(\$1.361)
FY 2010	(\$16.520)	(\$14.494)	(\$2.026)
FY 2011	(\$16.850)	(\$14.783)	(\$2.067)
FY 2012	(\$17.190)	(\$15.082)	(\$2.108)
FY 2013	(\$17.540)	(\$15.389)	(\$2.151)